F I S C A L   I M P A C T   R E P O R T

SPONSOR Jennings **ORIGINAL DATE** 1/30/08 **LAST UPDATED** 2/07/08 **HB**

SHORT TITLE Gift Certificate Expiration and Insurance Pool **SB** 414/aSCORC

ANALYST Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
$0	$183.4^	$20.1^	Recurring	Medical Insurance Pool Enhancement Fund
($0.0)	($183.4)*	($20.1)*	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)
^ Preliminary estimates. Full impact cannot be determined until more data is available from the Revenue Processing Division of TRD.
* See Narrative

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)
Human Services Department (HSD)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment eliminates several of the changes to the Uniform Unclaimed Property Act in the original bill. The amendment reinstates the period of time to five years that a gift certificate will be presumed abandoned and deletes the change that a gift certificate without a conspicuous date shall be deemed abandoned after two years. Under the SCORC amendment, Section 4(B) is reinstated.

Synopsis of Original Bill

Senate Bill 414 amends the Medical Insurance Pool Act to create the medical insurance pool enhancement fund, provide for a supplemental assessment against insurers, and to provide for a credit against the premium tax. Following the close of each fiscal year and before calculating assessments the pool administrator will calculate a supplemental assessment to be paid by each insurer, based on a formula related to the balance in the fund. The full amount of the supplemental assessment paid by the member may be taken as a credit against the premium tax due by that member.

The bill also amends the Uniform Unclaimed Property Act to:

- To authorize distributions to the medical insurance pool enhancement fund from amounts deposited into the Uniform Unclaimed Property Act.
- To increase the percentage of the value of gift certificates presumed abandoned from sixty percent (60%) of the certificate's face value to ninety percent (90%).
- Remove provisions that require the holder to be domiciled in a state that does not provide for the escheat or custodial taking of property.
- Reduce the period of time from five years to two years that a gift certificate will be presumed abandoned and subject to the Unclaimed Property Act.
- The proceeds received by the Taxation and Revenue Department (TRD) from unredeemed gift certificates would be distributed to the medical insurance pool enhancement fund.

The effective date of the bill is July 1, 2008.

FISCAL IMPLICATIONS

Money in the unclaimed property fund reverts to the general fund. The general fund impact is equal to the amount of money diverted from the unclaimed property fund to the medical insurance pool enhancement fund. At the end of the fiscal year, the State Treasurer will transfer the balance in the enhancement fund to the general fund. The Medical Insurance Pool will make a supplemental assessment to insurers equal to the amount in the new enhancement fund. Insurers may take a 100 percent premium tax credit against this supplemental assessment, thus reducing premium taxes to the general fund.

TRD provided a preliminary estimate of the amount of money that would be diverted to the new fund. Additional information is needed from the Revenue Processing Division for a more precise estimate.

According to TRD:

> Estimates of fiscal impacts associated with changes to the Uniform Unclaimed Property Act in FY09 reflects the lump sum benefit from reducing the period of time during which an apparent owner could claim an unclaimed gift certificate from five years to two years. These numbers would need to be adjusted downward by the amount of money that the administrator is permitted to deduct from these funds pursuant to Section 7-8A-13 prior to depositing the proceeds into the tax administration suspense fund. These amounts could not be retrieved from the Revenue Processing Division in time to include the information in this report. However, the potential impact from the bill could also be significantly greater.

SIGNIFICANT ISSUES

PRC notes that the intent of this bill appears to provide additional funding sources for New Mexico's high-risk health care insurance pool.

As the pool increases members at a fairly rapid rate, assessments to insurers have been increasing. This bill provides another source of state revenue to offset some of the growth in assessments.

ADMINSTRATIVE IMPACT

According to TRD:
Since holders identify property turned over to TRD' Unclaimed Property Unit, audit procedures may be required to validate property identified as gift certificates to ensure accurate distribution to the pool. TRD would need to create a method of tracking the gift certificate receipts for distribution purposes. Changes to holder's kit and forms can be made at no additional cost. Gift certificate funds remitted to TRD are currently captured in the Wagers computer system with its unique code.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 414 relates to SB 391, which amends the New Mexico Medical Insurance Pool Act to clarify and expand eligibility and coverage limits.

BE/mt:nt